

Message Text

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ACTION EUR-25

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TAGS: TECH, EEC, US

SUB: CASEY- SOAMES MEETING: US TATEMENT ON CRITERIA FOR
SUPPLY OF URANIUM- ENRICHING SERVICES

REF: A) EC BRUSSELS 1073

B) EC BRUSSELS 1256

1. THERE HAVE BEEN RECENT INDICATIONS (SEE REF A AND B) COM-
MISSION MAY NOTE IN CASEY- SOAMES CONSULTATIONS NEXT WEEK THE
UNFORTUNATE TIMING AND CONTENT OF " SEVERE AND ONEROUS" NEW
CRITERIA FOR US SUPPLY OF URANIUM ENRICHING SERVICES ON
THRESHOLD OF UNDERTAKING US- EC DIALOGUE ON COOPERATION IN
ENERGY FIELD. SUCH AN INITIATIVE MAY BE ALONG THE LINES
THAT THE NEW CRITERIA WILL INHIBIT UTILITY DECISIONS
IN FAVOR OF NUCLEAR FUELED POWER STATIONS AT A TIME WHEN THE
US AND THE COMMUNITY HAVE BEEN ENCOURAGING A HIGHER RATE OF
COMMITMENT FOR NUCLEAR IN VIEW OF THE LAGE INVENTORY OF
PROBLEMS- ENVIRONMENTAL, SECURITY OF SUPPLY, BALANCE OF PAYMENTS,
ECT.- ASSOCIATED WITH THE FOSSIL- FUELED PLANTS.

2. IF THE SUBJECT IS RAISED BY THE COMMISSION, IT WOULD
APPEAR DESIRABLE THAT THE US SIDE BE PREPARED TO RESPOND
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WITH A BRIEF STATEMENT SETTING FORTH THE BASIC CONSIDERATIONS AND PRINCIPLES, AS WELL AS CERTAIN ATTENDANT IMPLICATIONS, UNDERLYING THE NEW CRITERIA. THESE WOULD INCLUDE:

A. THE US, IN VIEW OF HISTORICAL CONSIDERATIONS, FEELS A MORAL RESPONSIBILITY FOR ASSURING THE AVAILABILITY OF ENRICHING SERVICES TO OVERSEAS CONSUMERS TO THE EXTENT SUCH SERVICES ARE DESIRED ABROAD. THIS POSITION HAS BEEN REFLECTED CONSISTENTLY OVER THE YEARS IN PUBLIC PRO- NOUNCEMENTS AT HIGH LEVELS OF USG.

B. IT WAS IN LARGE MEASURE WITH THIS CONSIDERATION IN MIND, TAKING INTO ACCOUNT REPEATED EXPRESSIONS OF CONCERN FROM ABROAD ABOUT TIMELY ADDITIONAL CAPACITY, THAT THE AEC INCORPORATED PROVISIONS IN THE NEW CRITERIA DESIGNED TO ASSURE THAT THE USG, IF NECESSARY, COULD ESTABLISH THE NEW ENRICHING CAPACITY NECESSARY TO SUSTAIN THE PROJECTED NUCLEAR POWER GROWTH IN THE US AND THEREST OF THE FREE WORLD. (THESE FACTORS ALSO FIGURED PROMINENTLY IN USG DECISION TO SPEND ON AN APPROPRIATE TIME SCHEDULE \$800 MILLION IN THE IMPROVEMENT AND UPGRADING OF EXISTING THREE AEC PLANTS TO INCREASE THEIR CAPACITY.) THE MOST NOTABLE EXAMPLES OF SUCH CRITERIA PROVISIONS ARE THE LONG LEAD TIME FOR CONTRACTING AND THE DOWN PAYMENT, BOTH OF WHICH ARE INTENDED TO PROVIDE A REASONABLE BASIS FOR THE USG TO JUSTIFY OUTLAYS OF VERY LARGE SUMS OF MONEY FOR CONSTRUCTING NEW CAPACITY- PROVISIONS WHICH HAVE, INTERESTINGLY, BEEN THE PRINCIPAL TARGETS FOR CRITICISMS. THE CRITICS OF THESE PROVISIONS, IN POINTING OUT POSSIBLE INHIBITING EFFECTS ON GROWTH OF NUCLEAR POWER, APPEAR TO HAVE OVERLOOKED THE POSITIVE EFFECT THESE PROVISIONS PROVIDE TO THE MORE IMPORTANT POTENTIAL INHIBITOR TO NUCLEAR GROWTH, NAMELY THE UNCERTAINTY ABOUT ADEQUATE ENRICHING CAPABILITY.

2. THE USG, IN UNDERTAKING PURSUANT TO THE NEW CRITERIA CONTRACTUAL OBLIGATIONS FOR THE SUPPLY OF SERVICES BEYOND THE CAPABILITIES OF PRESENT AEC PLANTS, FEELS

IT IS EQUITABLE AND REASONABLE THAT THE RECIPIENT OF THESE SERVICES GIVE ADEQUATE EVIDENCE OF INTENT TO USE THEM OR SUFFER APPROPRIATE PENALTIES, HENCE THE LIMITED OFFICIAL USE

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ADOPTION OF THE CRITERIA REFLECTING A MORE EQUITABLE SHARING

OF RISKS BETWEEN SUPPLIER AND CUSTOMER.

3. IT IS THE MISSION' S IMPRESSION THAT THE USAEC, IN THE COURSE, OF THE MARCH 7-8 HEARINGS, MADE A STATEMENT TO THE EFFECT THAT THE AEC HAS NO INTENT TO INVOKE A DUAL PRICING SCHEDULE FOR DOMESTIC AND OVERSEAS CUSTOMERS AND THAT THE ELIMINATION OF THE NON- DISCRIMINATORY LANGUAGE FROM THE CRITERIA WAS DESIRABLE, AS IN THE CASE OF SIMILAR DELETIONS FROM OUR AGREEMENTS FOR COOPERATION, IN ORDER TO PROVIDE THE AEC FLEXIBILITY TO HANDLE SUCH EXTENUATING CIRCUMSTANCES AS THE TEMPORARY PRICE FREEZE IN 1971. IN VIEW OF THE CONCERN IN THE COMMUNITY ABOUT US PRICING POLICY WITH THE ELIMINATION OF THE GUARANTEED PRICE CEILING AND THE NON- DISCRIMINATORY PROVISION (SEE REF A), IT MAY BE USEFUL TO DRAW UPON THE AFOREMENTIONED AEC COMMENTS FOR ANY STATEMENT ON THIS SUBJECT DURING THE CASEY- SOAMES MEETINGS.
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